

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name West Iron District Library	County Iron
Fiscal Year End 06/30/06	Opinion Date 12/15/06	Date Audit Report Submitted to State 12/20/06	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) DS Rostagno CPA P.C.		Telephone Number 906-265-1040	
Street Address 101 West Maple Street		City Iron River	State MI
		Zip 49935	
Authorizing CPA Signature	Printed Name Dianne S. Rostagno, CPA		License Number A245771

WEST IRON DISTRICT LIBRARY

**Financial Report
with Supplemental Information
Prepared in Accordance with GASB 34**

JUNE 30, 2006

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INDEPENDENT AUDITOR'S REPORT

DS Rostagno, CPA, P.C.

***101 West Maple Street, Iron River, MI 49935
Tel (906) 265-1040 Fax (906) 265-1042***

Board of Trustees
West Iron District Library
Iron River, Michigan 49935

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the **West Iron District Library**, as of and for the year ended June 30, 2006, which collectively comprise the Library's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the **West Iron District Library's** management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Board of Trustees, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

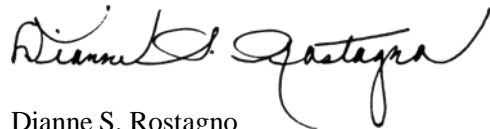
In our opinions, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the **West Iron District Library** as of June 30, 2006, and the respective changes in financial position thereof for the year then ended, in conformity with generally accepted accounting principles in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 15, 2006 on our consideration of the **West Iron District Library's** internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with the report in considering the results of our audit.

The management's discussion and analysis on pages 7 through 16 and the budgetary comparison information are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board and by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the **West Iron District Library's** basic financial statements. The introductory section and the combining and individual non-major fund financial statements are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The combining and individual non-major fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we express no opinion on it.

A handwritten signature in black ink, appearing to read "Dianne S. Rostagno", written in a cursive style.

Dianne S. Rostagno
DS ROSTAGNO, CPA, P.C.

December 15, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS

**WEST IRON DISTRICT LIBRARY
116 W. GENESEE STREET
IRON RIVER, MI. 49935
(906) 265-2831**

LIBRARY HOURS	
M,T,W,F	8:30-5:00
THURSDAY	8:30-7:00
SATURDAY	10:00-2:00

The management of the **West Iron District Library** provides this narrative overview and analysis of the financial activities of the Library for the year ended June 30, 2006. As readers, you are encouraged to read this discussion and analysis in conjunction with the Library's financial statement information included in this report.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Library's basic financial statements. The financial section of this report includes management's discussion and analysis, the basic financial statements, and required supplementary information. The basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements

The government-wide financial statements are designed to provide readers with a broad overview of the Library's finances, in a manner similar to a private-sector business.

The Statement of Net Assets presents information on all of the Library's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Library is improving or deteriorating.

The Statement of Activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Fund Financial Statements

The Library, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. In the basic financial statements, the emphasis of the fund financial statements is on major funds. All of the funds of the Library are governmental funds.

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Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spend-able resources, as well as on balances of spend-able resources available at the end of the fiscal year. This information may be useful in evaluating the Library's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. In order to provide the reader with information to better understand the long-term impact of the government's near-term financing decisions, a reconciliation between the government-wide financial statements and the fund financial statements is included as part of the basic financial statements.

The Library maintains three governmental funds. Information is presented separately in the governmental fund balance sheet and governmental fund statement of revenues, expenditures, and changes in fund balance for the general fund, the capital project fund, and the debt service fund.

The Library adopts an annual budget for its general fund. To demonstrate compliance with this budget, a budgetary comparison statement has been provided for the general fund, and is included in the "Required Supplementary Information" section of this document.

Notes to the Financial Statements

Notes to the financial statements are included in the basic financial statements, and provide additional information that is essential for a full understanding of the data provided in the government-wide and the fund financial statements.

Supplementary Information

Required supplementary information follows the basic financial statements, and includes budgetary comparison schedules for the General Fund as presented in the governmental fund financial statements.

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Government-wide Financial Analysis

In time, net assets of a government entity may serve as a useful indicator of the government's financial position. In the case of the Library, assets exceeded liabilities by \$ 839,135 at June 30.

By far, the largest portion of the Library's net assets is its investment in capital assets (land, buildings, machinery, and equipment), less any outstanding debt related to acquiring the asset. These capital assets are used to provide services to citizens and are not available for future spending. Although the Library's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. At June 30, 2006, the Library reported \$ 355,944 in net assets invested in capital assets net of related debt.

In a condensed format, the following is a summary of the Library's comparative net assets at June 30, 2006 and 2005:

	<u>2006</u> Governmental Activities
<u>Assets</u>	
Current and other assets	\$ 495978
Capital assets, net	<u>424706</u>
Total assets	920684
<u>Liabilities</u>	
Long-term liabilities	63757
Other liabilities	<u>17792</u>
Total liabilities	81549
<u>Net assets:</u>	
Invested in capital assets, net of related debt	355944
Reserved for capital projects	317501
Unreserved and undesignated	<u>165690</u>
Total net assets	\$ 839135

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Government-wide Financial Analysis (Continued)

	<u>2005</u>
	<u>Governmental</u>
	<u>Activities</u>
<u>Assets</u>	
Current and other assets	\$ 421976
Capital assets, net	<u>440916</u>
Total assets	862892
<u>Liabilities</u>	
Long-term liabilities	65151
Other liabilities	<u>20290</u>
Total liabilities	85441
<u>Net assets</u>	
Invested in capital assets, net of related debt	370760
Reserved for capital projects	289684
Unreserved and undesignated	<u>117007</u>
Total net assets	\$ 777451

For governmental activities, net assets increased by \$ 61,684 during the year.

The following represents the comparative changes in net assets for the Library's governmental funds for the years ended June 30, 2006 and 2005:

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Government-wide Financial Analysis (Continued)

	<u>2006</u>
	<u>Governmental</u>
	<u>Activities</u>
REVENUES:	
<i><u>Program Revenues:</u></i>	
Charges for services	\$ 2645
Operating grants and contributions	26282
Capital grants and contributions	0
<i><u>General Revenues:</u></i>	
Property taxes	260664
Other taxes	4380
Unrestricted grants	6646
Penal fines	43513
Other	<u>14671</u>
Total Revenues	\$ 358801
EXPENSES:	
Community services	273550
Debt service	
Interest and fees	4044
Depreciation	19523
Other	<u>0</u>
Total governmental expenses	\$ 297117
Increase (Decrease) in Net Assets	61684
Net Assets, beginning of year	777451
Net Assets, End of year	\$ 839135

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Government-wide Financial Analysis (Continued)

	2005
	<u>Governmental</u>
	<u>Activities</u>
REVENUES:	
<i><u>Program Revenues</u></i>	
Charges for services	\$ 6077
Operating grants and contributions	47601
Capital grants and contributions	0
<i><u>General revenues</u></i>	
Property taxes	201847
Other taxes	1989
Unrestricted grants	5735
Penal fines	41604
Other	<u>77849</u>
Total Revenues	\$ 382702
EXPENSES:	
Community services	274370
Debt service	
Interest and fees	3439
Depreciation	21210
Other	<u>32162</u>
Total governmental expenses	\$ 331181
Increase (Decrease) in Net Assets	51521
Net Assets, beginning of year	725930
Net Assets, end of year	\$ 777451

Governmental Activities

For the fiscal year ended June 30, 2006, property taxes comprise \$ 260,664 or approximately 72 percent of total governmental revenues. Penal fines were \$ 43,513, or approximately 12 percent of total revenues.

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Governmental Activities (Continued)

The Library expensed \$ 297,117 on governmental programs and services. The largest expense category was incurred for Library services, which totaled \$ 156,281, or approximately 52 percent of total expenditures. Of this amount, \$ 101,654 was paid directly for salaries, payroll taxes, and benefits.

Costs of administration were \$ 84,081, or approximately 28 percent of total expenditures. Occupancy costs excluding debt service were \$ 26,073, or approximately 8 percent of total expenditures.

Financial Analysis of the Governmental Funds

As previously noted, the Library uses fund accounting to ensure and demonstrate compliance with finance-related requirements.

Governmental Funds

The focus of the Library's governmental funds is to provide information on near-term inflows, outflows, and balances of spend-able resources. This information is useful in assessing the Library's financing requirements. In particular, the unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The Library's governmental funds reported combined ending fund balances of \$ 483,191, of which \$ 317,501 is reserved for capital projects. The balance of \$ 165,690 is unreserved and is available for spending at the Library's discretion.

The Library's primary governmental fund is its general fund. There are no reservations in the general fund's fund balance.

On the budgetary basis of accounting, the Library ended the fiscal year with revenues just slighter higher than budgeted, and expenditures considerably lower than the original and final budget. And, at year end, the fund balance was higher than both the original and final projection.

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Governmental Funds (Continued)

General fund financial and budgetary highlights of the fiscal year include:

- * All revenue line items were materially consistent with budgeted amounts.
- * Office expense and postage costs were \$23,533, significantly lower than the budgeted \$32,100.
- * A total appropriation of \$10,620 was approved for capital outlay; actual expenditures for capital outlay were just \$3,312.

Revenues – Budget vs Actual for Fiscal Year Ended June 30, 2006

	Revenues Original <u>Budget</u>	Revenues Final <u>Budget</u>	Revenues Final <u>Actual</u>	Revenues Variance Actual vs Original <u>Budget</u>	Revenues Variance Actual vs Final <u>Budget</u>
General Fund	\$ 325372	\$ 325372	\$ 328538	\$ 3166	\$ 3166

Expenditures – Budget vs Actual for Fiscal Year Ended June 30, 2006

	Expenditures Original <u>Budget</u>	Expenditures Final <u>Budget</u>	Expenditures Final <u>Actual</u>	Expenditures Variance Actual vs Original <u>Budget</u>	Expenditures Variance Actual vs Final <u>Budget</u>
General Fund	\$ 318872	\$ 318872	\$ 274417	\$ 44455	\$ 44455

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Capital Assets and Debt Administration

Capital Assets

The Library's investment in capital assets, net of accumulated depreciation, for its governmental activities as of June 30, 2006 was \$ 424,706. The investment in capital assets includes land, buildings, furniture and fixtures, computers, and other equipment. The Library has no infrastructure assets.

Major accomplishments for the 2005-2006 fiscal year include:

- Materials collections grew to over 45,716 titles.
- Library visits for the year totaled 39,821.
- Continued to raise funds for the planned addition. Events included a used book sale, a quilt raffle, a holiday book sale, a rummage sale, and a read-a-thon.
- The library board worked with the architectural firm on final drawings, including those for a courtyard. Soil samples were taken of the addition space.
- Introduced a DVD collection to the public with the help of the Friends of the Library.
- The library became a training center for the Superiorland Library Cooperative.
- The staff attended educational workshops, classes, and programs designed to enhance their understanding of their positions.

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Long-term debt

As of June 30, 2006, the Library had total debt outstanding of \$ 68,762. Of this amount, \$ 5,005 is due and payable within the next 12 months.

Plans and Major Priorities

The following areas highlight the Library's plans and priorities for the 2006-2007 fiscal year:

- To secure additional funding through grants and donations to begin the building addition.
- Work with the Friends of the Library in developing fundraising events.
- Continue growth of collections and programs for the public.

Request for Information

This financial report is designed to provide a general overview of the Library's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

West Iron District Library
116 West Genesee Street
Iron River, Michigan 49935

BASIC FINANCIAL STATEMENTS

WEST IRON DISTRICT LIBRARY

STATEMENT OF NET ASSETS

JUNE 30, 2006

<u>ASSETS</u>	<u>Governmental Activities</u>
<u>Current Assets</u>	
Cash and Investments (Note C)	\$ 473,493
Taxes Receivable	22,485
Due from External Parties	<u>-</u>
Total Current Assets	495,978
<u>Noncurrent Assets</u>	
Capital Assets (Note H)	626,539
Accumulated Depreciation	<u>(201,833)</u>
Total Noncurrent Assets	424,706
TOTAL ASSETS	\$ 920,684
 <u>LIABILITIES</u>	
<u>Current Liabilities</u>	
Accounts Payable	-
Accrued Payroll Taxes	12,787
Bonds/Notes Payable, Due within one year (Note I)	<u>5,005</u>
Total Current Liabilities	17,792
<u>Noncurrent Liabilities</u>	
Bonds/Notes Payable (Note I)	<u>63,757</u>
Total Noncurrent Liabilities	63,757
TOTAL LIABILITIES	\$ 81,549
 <u>NET ASSETS</u>	
Invested in Capital Assets, Net of Related Debt	355,944
Reserved for Debt Services	-
Reserved for Capital Projects	317,501
Unreserved and Undesignated	<u>165,690</u>
TOTAL NET ASSETS	\$ 839,135

The notes to the financial statements are an integral part of this report.

WEST IRON DISTRICT LIBRARY

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2006

Functions/Programs	<u>Expenses</u>	<u>PROGRAM REVENUES</u>		<u>Net(Expense) Revenue and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants & Contributions</u>	<u>Governmental Activities</u>
Primary Government -				
Community Services				
Administration	\$ 84,081	\$ -	\$ -	\$ (84,081)
Occupancy	28,518			(28,518)
Special Programs	4,670			(4,670)
Library Services	156,281	2,645	26,282	(127,354)
Interest on Long-Term Debt	4,044			(4,044)
Engineering	-			-
Depreciation (Unallocated)	<u>19,523</u>			<u>(19,523)</u>
Total Governmental Activities	\$ 297,117	\$ 2,645	\$ 26,282	\$ (268,190)
General Revenues:				
Taxes:				
Property taxes levied for general operations				260,664
Other taxes				4,380
State Aid				6,646
Penal Fines				43,513
Interest and Investment Earnings				10,941
Other revenues				<u>3,730</u>
Total General Revenues				<u>329,874</u>
Change in Net Assets				61,684
Net Assets - Beginning of year				777,451
Net Assets - End of year				<u>\$ 839,135</u>

The notes to the financial statements are an integral part of this report.

WEST IRON DISTRICT LIBRARY

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2006

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>				
Cash and Investments (Note C)	\$ 155,992	\$ 317,501	\$ -	\$ 473,493
Taxes Receivable	22,485	-	-	22,485
Due from Other Funds	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL ASSETS	<u>\$ 178,477</u>	<u>\$ 317,501</u>	<u>\$ -</u>	<u>\$ 495,978</u>
<u>LIABILITIES AND FUND BALANCES</u>				
<i>Liabilities</i>				
Accounts Payable	-	-	-	-
Accrued Payroll Taxes	12,787	-	-	12,787
	<hr/>	<hr/>	<hr/>	<hr/>
Total Liabilities	12,787	-	-	12,787
<i>Fund Balances</i>				
Reserved for Capital Projects	-	317,501	-	317,501
Reserved for Debt Service	-	-	-	-
Unreserved and undesignated	165,690	-	-	165,690
	<hr/>	<hr/>	<hr/>	<hr/>
Total Fund Balances	165,690	317,501	-	483,191
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 178,477</u>	<u>\$ 317,501</u>	<u>\$ -</u>	<u>\$ 495,978</u>

The notes to the financial statements are an integral part of this report.

WEST IRON DISTRICT LIBRARY

GOVERNMENTAL FUNDS

**RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS TO NET
ASSETS**

JUNE 30, 2006

Fund Balances - Total Governmental Funds	\$ 483,191
---	-------------------

Amounts reported for governmental activities in the statement
of net assets are different because:

Capital assets used in governmental activities
are not financial resources and are not
reported in the funds.

The cost of capital assets is:	626,539
Accumulated depreciation is:	(201,833)

Long term liabilities are not due and payable
in the current period and are not reported
in the funds:

Bonds Payable	(68,762)
---------------	----------

Other long term assets not available to pay
current period expenditures therefore
deferred in the funds

-

Accrued interest is not included as a liability
in governmental funds

-

Total Net Assets - Governmental Activities	<u>\$ 839,135</u>
---	--------------------------

The notes to the financial statements are an integral part of this report.

WEST IRON DISTRICT LIBRARY

**GOVERNMENTAL FUNDS - STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES**

FISCAL YEAR ENDED JUNE 30, 2006

	<u>General</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
<u>REVENUE</u>				
General property taxes	\$ 260,664		\$ -	\$ 260,664
Other taxes	4,380			4,380
Penal Fines	43,513			43,513
Use of money and property	2,327	11,687		14,014
Charges for services	2,645			2,645
Gifts and memorials	535	21,649		22,184
Miscellaneous	3,730			3,730
Grants, local	4,098			4,098
Intergovernmental	<u>6,646</u>			<u>6,646</u>
TOTAL REVENUE	\$ 328,538	\$ 33,336	\$ -	\$ 361,874
<u>EXPENDITURES</u>				
Current Operating:				
Community services	271,105			271,105
Debt Service				-
Principal			1,394	1,394
Interest and Fees			4,044	4,044
Capital Outlay	3,312			3,312
Engineering Costs				-
Other		<u>2,445</u>		<u>2,445</u>
TOTAL EXPENDITURES	\$ 274,417	\$ 2,445	\$ 5,438	\$ 282,300
Excess (Deficiency) of Revenues Over (Under) Expenditures	54,121	30,891	(5,438)	79,574
<u>Other Financing Sources (Uses)</u>				
Operating transfers in	-		5,438	5,438
Operating transfers out	(5,438)			(5,438)
Market Gains (Losses)		<u>(3,074)</u>		<u>(3,074)</u>
Total Other Financing Sources(Uses)	(5,438)	(3,074)	5,438	(3,074)
Net Change in Fund Balances	48,683	27,817	-	76,500
FUND BALANCE-BEGINNING OF YEAR	117,007	289,684	-	406,691
FUND BALANCE-END OF YEAR	<u>\$ 165,690</u>	<u>\$ 317,501</u>	<u>\$ -</u>	<u>\$ 483,191</u>

The notes to the financial statements are an integral part of this report.

WEST IRON DISTRICT LIBRARY

GOVERNMENTAL FUNDS**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF
ACTIVITIES***YEAR ENDED JUNE 30, 2006***Net Change in Fund Balances - Total Governmental Funds** **\$ 76,500**

Amounts reported for governmental activities in the statement
of activities are different because:

Governmental funds report capital outlays as expenditures; in
the statement of activities, these costs are allocated over their
estimated useful lives as depreciation.

Depreciation Expense	(19,523)
Capital Outlay	<u>3,312</u>

Total	\$ (16,211)
-------	--------------------

Revenue reported in the statement of activities that does not provide
current financial resources and are not reported as revenue
in the governmental funds

-

Accrued interest is recorded in the statement of activities when
incurred; it is not reported in governmental funds until paid

-

Repayment of bond principal is an expenditure in the governmental
funds, but not in the statement of activities (where it reduces
long term debt)

1,394

Increases Decreases in compensated absences are reported as
expenditures when financial resources are used in the governmental
funds in accordance with GASB Interpretation No. 6

-

Rounding adjustment

1

Change in Net Assets of Governmental Activities **\$ 61,684**

The notes to the financial statements are an integral part of this report.

WEST IRON DISTRICT LIBRARY

FIDUCIARY FUND

STATEMENT OF FIDUCIARY NET ASSETS

JUNE 30, 2006

	Permanent Fund
<u>ASSETS</u>	
Cash and Cash Equivalents	<u>\$ 2,427</u>
TOTAL ASSETS	\$ 2,427
<u>LIABILITIES</u>	
Due to Other Funds	-
Due to Other Governmental Units	<u>-</u>
TOTAL LIABILITIES	\$ -
NET ASSETS	<u><u>\$ 2,427</u></u>

The notes to the financial statements are an integral part of this report.

NOTES TO THE FINANCIAL STATEMENTS

WEST IRON DISTRICT LIBRARY

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting methods and procedures adopted by the **West Iron District Library** conform to generally accepted accounting principles as applicable to governmental entities. The following is a summary of the more significant policies:

THE FINANCIAL REPORTING ENTITY

The **West Iron District Library** was organized to provide library services to the City of Iron River, and Iron River, Bates, and Stambaugh Townships, Iron County, Michigan. By resolution dated February 06, 1995, the West Iron District Library Agreement was amended to include the Cities of Caspian and Gaastra. The Board operates under an appointed board of 7 trustees and provides library services to its approximately 8371 residents.

The criteria established by GASB Statement 14, The Financial Reporting Entity, is used to determine the primary government unit and the component units to be included in the financial reporting entity.

WEST IRON DISTRICT LIBRARY

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

THE FINANCIAL REPORTING ENTITY (Continued)

This Statement describes the characteristics of a primary government unit, which include a separately elected governing board, legally separate government possessing corporate power and separate legal standing, and fiscal independence. GASB 14 also provides criteria for defining the component unit, based on the fundamental concept of accountability. On this basis, the financial statements of certain other governmental organizations are not included in the financial statements of the Library.

BLENDED COMPONENT UNITS

A blended component unit is a legally separate entity from the local unit, but is so intertwined with the unit that it is, in substance, the same as the local governmental unit.

A basic strategy of GASB 14 is to present financial information for component units separately from the financial information for the primary government. This is achieved through the discrete presentation method.

WEST IRON DISTRICT LIBRARY

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BLENDED COMPONENT UNITS (Continued)

However, in the case of blended component units, GASB believes that it would be more appropriate to use the blending method to incorporate the financial information of a component unit into the reporting entity's financial statements. When the blending method is used, transactions and balances of a component unit are merged with similar transactions and balances of the primary government so that there is no way to identify which balances relate to the component unit and which relate to the primary government.

There are no blended component units to be included in the financial statements of the **West Iron District Library**.

JOINT VENTURES

A joint venture is a legal entity or other organization that results from a contractual agreement and that is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control, in which the participants retain an ongoing financial interest or an ongoing financial responsibility.

WEST IRON DISTRICT LIBRARY

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

JOINT VENTURES (Continued)

An ongoing financial responsibility is defined as a participating government's obligation in some manner for debts or the joint venture's existence depends on continued funding by the participating government.

There are no joint ventures to be included in the financial statements of the **West Iron District Library**.

JOINTLY GOVERNED ORGANIZATIONS

A jointly governed organization is a multi-governmental arrangement that is governed by representatives from each of the governments that create the organization, but that is not a joint venture because the participants do not retain an ongoing financial interest or responsibility.

There are no jointly governed organizations to be reported by the **West Iron District Library** as defined above.

WEST IRON DISTRICT LIBRARY

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

RELATED ORGANIZATIONS

A related organization is an organization for which a primary government is not financially accountable (because it does not impose will or have a financial benefit or burden relations) even though the primary government appoints a voting majority of the organization's governing board.

There are no related organizations to the **West Iron District Library** as defined above.

BASIS OF PRESENTATION

The Library follows GASB Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis for State and Local Governments. GASB Statement No. 34 add the following components to the financial statements:

Management's Discussion and Analysis

A narrative introduction and analytical overview of the government's financial activities. This analysis is similar to analysis the private sector provides in their annual reports.

WEST IRON DISTRICT LIBRARY

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

Government-wide financial statements

These include financial statements prepared using the full accrual accounting for all of the government's activities. This approach includes not just current assets and liabilities (such as cash and accounts payable) but also capital assets and long-term liabilities (such as buildings and infrastructure, including bridges and roads, and general obligation debt).

Accrual accounting also reports all of the revenues and costs of providing services each year or soon thereafter. The government-wide statements include the Statement of Net Assets and the Statement of Program Activities.

Statement of Net Assets

The Statement of Net Assets displays the financial position of the primary government.

WEST IRON DISTRICT LIBRARY

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

Statement of Net Assets

Governments report all capital assets, including infrastructure, in the government-wide Statement of Net Assets and report depreciation expense - the cost of "using up" capital assets - in the Statement of Activities. The net assets of a government are broken down into three categories - 1) invested in capital assets net of related debt; 2) restricted; and 3) unrestricted.

Statement of Program Activities

The statement of activities reports expenses as revenues in a format that focuses on the cost of the government's functions. The expense of individual functions is compared to the revenues generated by the function (for instance, through user charges or intergovernmental grants).

WEST IRON DISTRICT LIBRARY

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

Budgetary comparison schedules

Demonstrating compliance with the adopted budget is an important component of a government's accountability to the public. Many citizens participate in the process of establishing the annual operating budgets of state and local governments, and have a keen interest in following the actual financial progress of their governments over the course of the year. The Library and many other governments revise their original budgets over the course of the year for a variety of reasons.

As required by accounting principles generally accepted in the United States of America, these financial statements present the primary governmental entities for which the government is considered to be financially accountable.

WEST IRON DISTRICT LIBRARY

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

**GOVERNMENT-WIDE AND FUND FINANCIAL
STATEMENTS**

The basic financial statements include both government-wide (based on the Library as a whole) and fund financial statements. The reporting model focus is on both the Library as a whole and the fund financial statements, including the major individual funds of the governmental categories.

Both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as either governmental or business type (when applicable). In the government-wide Statement of Net Assets, the governmental columns (a) are presented on a consolidated basis by column, and (b) are reflected, on a full accrual, economic resource basis, which incorporates long-term assets and receivables as well as long-term debt and obligations.

WEST IRON DISTRICT LIBRARY

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

BASIS OF PRESENTATION (Continued)

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Continued)

Both government-wide and fund financial statements presentations provide valuable information that can be analyzed and compared (between years and between governments) to enhance the usefulness of the financial information. The Library generally uses restricted assets first for expenses incurred for which both restricted and unrestricted assets are available. The Library may defer the use of restricted assets based on a review of the specific transaction.

The government-wide Statement of Activities reflects both the gross and net cost per functional category (administration, occupancy, special programs, and Library services) that are otherwise being supported by general government revenues (property taxes, state aid, penal fines, interest and investment earnings).

WEST IRON DISTRICT LIBRARY

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

BASIS OF PRESENTATION (Continued)

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Continued)

The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants, and contributions.

The program revenues must be directly associated with the function (administration, occupancy, special programs, and Library services). Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operation or capital requirements of a particular function or segment.

Taxes and other items not properly included among program revenues are reported as general revenues.

WEST IRON DISTRICT LIBRARY

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

BASIS OF PRESENTATION (Continued)

**GOVERNMENT-WIDE AND FUND FINANCIAL
STATEMENTS (Continued)**

The Library does not allocate indirect expenses. The operating grants and contributions column includes operating-specific and discretionary (either operating or capital) grants while the capital grants and contributions column reflects capital-specific grants.

In the fund financial statements, financial transactions and accounts of the Library are organized in the basis of funds. The operation of each fund is considered to be an independent fiscal and separate accounting entity, with a self-balancing set of accounts recording cash and/or other financial resources together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain regulations, restrictions, or limitations.

WEST IRON DISTRICT LIBRARY

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

BASIS OF PRESENTATION (Continued)

**GOVERNMENT-WIDE AND FUND FINANCIAL
STATEMENTS (Continued)**

The fund statements are presented on a current financial resource and modified accrual basis of accounting. This is the manner in which these funds are normally budgeted.

Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental activities column, a reconciliation is presented which briefly explains the adjustments necessary to reconcile the fund financial statements to the governmental activities column of the government-wide financial statements.

WEST IRON DISTRICT LIBRARY

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

BASIS OF PRESENTATION (Continued)

**GOVERNMENT-WIDE AND FUND FINANCIAL
STATEMENTS (Continued)**

The following is a brief description of the specific funds used by the Library:

GOVERNMENTAL FUNDS

These funds are those through which most governmental functions typically are financed. The acquisition, use, and balances of the Library's expendable financial resources and the related current liabilities are accounted for through the Governmental Funds. These funds are as follows:

General Fund

This fund is used to account for all financial transactions not accounted for in another fund, including the general operating expenditures of the local unit.

WEST IRON DISTRICT LIBRARY

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

BASIS OF PRESENTATION (Continued)

GOVERNMENTAL FUNDS (Continued)

General Fund (Continued)

Revenues are derived primarily from property taxes, and state and federal distributions, grants and other intergovernmental revenues.

For reporting purposes, the General Fund is always considered to be a major fund.

Special Revenue Funds

These funds are used to account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action.

There are no special revenue funds for the Library.

WEST IRON DISTRICT LIBRARY

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

GOVERNMENTAL FUNDS (Continued)

Debt Service Fund

This fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

The Debt Service fund is a major fund for reporting purposes.

Capital Projects Fund

These funds are used to account for the purchase and/or construction of capital facilities by a governmental unit which is not accounted for by Proprietary Funds, Special Assessment Funds, or Trust Funds. The various resources of the governmental unit to be used in the projects, such as General Fund contributions, grants from other units of government and bond proceeds, flow into the Capital Project Fund. Expenditures incurred in the development of the facility are also recorded within the Capital Project Fund.

WEST IRON DISTRICT LIBRARY

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

GOVERNMENTAL FUNDS (Continued)

Capital Projects Fund (Continued)

The Capital Projects Fund is considered to be a major fund for reporting purposes.

Governmental funds use the modified accrual basis of accounting.

PROPRIETARY FUNDS

Enterprise Funds

These funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises---- where the intent of the governing body is that the costs (expenses including depreciation) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purpose.

There are no proprietary funds for the Library.

WEST IRON DISTRICT LIBRARY

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

FIDUCIARY FUNDS

Trust and Agency Funds

Trust and Agency Funds are used to account for assets held by the Library in a trustee capacity for individuals, private organizations, other governmental units, and/or other funds.

The Perpetuity Fund is a Fiduciary Fund.

It is defined as a Permanent Fund under the new standard established by GASG 34. Permanent funds are used to report resources that are legally restricted to the extent that only earnings and no principal (corpus) may be used for purposes that support the reporting government's program (i.e., for the benefit of the public). Permanent funds are similar to the no longer used Nonexpendable Trust Funds.

WEST IRON DISTRICT LIBRARY

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

MEASUREMENT FOCUS

The accounting and financial treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using the current financial resources measurement focus. With this measurement focus, only current liabilities generally are included on the balance sheet in the fund statements. Long-term assets and long-term liabilities are included in the government-wide statements. Operating statements of the governmental funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The government-wide Statement of Net Assets and the Statement of Activities are accounted for on a flow of economic resources measurement focus.

WEST IRON DISTRICT LIBRARY

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

MEASUREMENT FOCUS (Continued)

With this measurement focus, all assets and liabilities associated with the operation of these activities are either included on the Statement of Net Assets or on the Statement of Fiduciary Net Assets.

The Statement of Net Assets and Statement of Activities are presented on the accrual basis of accounting. Under this method of accounting, revenues are recognized when earned and expenses are recorded when liabilities are incurred without regard to receipt or disbursement of cash.

The fund financial statements of the General, Capital Projects, and Debt Service funds are maintained and reported on the modified accrual basis of accounting using the current financial resources measurement focus.

WEST IRON DISTRICT LIBRARY

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

MEASUREMENT FOCUS (Continued)

Under this method of accounting, revenues are recognized in the period in which they become measurable and available. With respect to real and personal property tax revenue and other local taxes, the term "available" is limited to collection within sixty days of the fiscal year-end. Levies made prior to the fiscal year-end but which are not available are deferred. Interest income is recorded as earned. Federal and state reimbursement-type grants revenue is considered to be measurable and available as revenue when related eligible expenditures are incurred.

Expenditures, other than accrued interest on long-term debt, are recorded when the fund liability is incurred.

WEST IRON DISTRICT LIBRARY

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

MEASUREMENT FOCUS (Continued)

The local governmental unit applies all GASB pronouncements as well as the FASB pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

ENCUMBRANCES

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriations, is employed for accountability purposes only.

It is the Library's policy to honor all unfilled contracts/orders at year-end, but the authority to complete these transactions is provided by the new year's budget appropriations, as unexpended appropriations of the current year lapse at year-end.

WEST IRON DISTRICT LIBRARY

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

CASH AND CASH EQUIVALENTS

The Library pools cash resources of its various funds to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the pooled cash accounts is available to meet current operating requirements.

The Library classifies cash on hand, cash on deposit (including certificates of deposit), and highly liquid investments with an original maturity of ninety days or less when purchased as cash in its financial statements.

INVENTORIES

Inventories of supplies are expended as received.

RECEIVABLES

Accounts which will be collected within sixty days of year-end are accrued as accounts receivable in the General Fund.

WEST IRON DISTRICT LIBRARY

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

INTEREST RECEIVABLE

Interest on certificates of deposit is recorded as revenue in the year the interest is earned and is available to pay liabilities of the current period.

DUE TO/FROM OTHER FUNDS

Transactions between funds that had not been paid or received as of fiscal year-end have been recorded as inter-fund accounts receivable and payable in the financial statements. These inter-fund receivables and payables do not represent Board-approved loans between funds.

DEFERRED REVENUE

Deferred revenue represents amounts for which asset recognition criteria have been met but for which revenue recognition criteria have not been met, whereby such amounts are measurable but not considered currently available resources.

As of June 30, 2006, the Library had no deferred revenue.

WEST IRON DISTRICT LIBRARY

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

FUND EQUITY

The unreserved fund balances for governmental funds represent the amount available for budgeting future operations. The reserved fund balances represent the amount that has been legally identified for specific purposes. Designated fund balances represent amounts earmarked by the Library for future expenditures.

BUDGETS AND BUDGETARY ACCOUNTING

The Library follows the State of Michigan Uniform Budgeting and Accounting Act for budgeting procedures. Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets must be adopted for the general fund. Unexpended appropriations lapse at fiscal year-end.

The following procedures are followed in establishing the budgetary data reflected in the financial statements:

WEST IRON DISTRICT LIBRARY

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

BUDGETS AND BUDGETARY ACCOUNTING (Continued)

1. Prior to June 30 of the preceding fiscal year, the Library prepares a budget for the next fiscal year beginning July 01. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Library Board is then called for the purpose of adopting the proposed budget after sufficient public notice of the meeting has been given.
3. Prior to July 01, the budget is legally enacted through passage of a resolution by the members of the Library Board.

WEST IRON DISTRICT LIBRARY

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

BUDGETS AND BUDGETARY ACCOUNTING (Continued)

Once the budget is approved, it can be amended at the Function and Fund level only by approval of a majority of the members of the Library Board. Amendments are presented to the Board at their regular meetings. Each amendment must have Board approval.

PROPERTY TAX

Property taxes are levied on December 01 and payable by February 15 of each year. They are declared delinquent as of March 01 of the following year. Property taxes are recognized when they become available. The County of Iron purchases all delinquent real property taxes during the second quarter of each year, resulting in total collection of real property taxes each year. Delinquent personal property taxes are recorded as receivable if considered to be collectible.

WEST IRON DISTRICT LIBRARY

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

PROPERTY TAX (Continued)

For the year ended June 30, 2006, the District's taxable valuation was \$ 182,224,034, on which was levied 1.4438 mills for Library operating purposes.

NON-MONETARY TRANSACTIONS

The Single Audit Act of 1984, as amended, and OMB Circular A-133 defines federal financial assistance to include both monetary and non-monetary forms of assistance provided by or passed down from a federal agency, such as grants, contracts, loans, loan guarantees, property, etc.

CAPITAL ASSETS

Capital outlays are recorded as expenditures of the General and Capital Project Funds, and as assets in the governmental-wide statements to the extent the Library's capitalization threshold of \$300 is met.

WEST IRON DISTRICT LIBRARY

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

CAPITAL ASSETS (Continued)

Depreciation is recorded on general fixed assets on a government-wide basis using the straight-line method and the following estimated useful lives:

Buildings 20 - 30 years

Infrastructure . . . 10 - 65 years

**Furniture and Other
Equipment 5 - 20 years**

Land Improvements . . 20 years

All assets are valued at historical cost or estimated historical cost if actual cost was not available.

WEST IRON DISTRICT LIBRARY

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

CAPITAL ASSETS (Continued)

Donated fixed assets are valued at their estimated fair market value on the date donated. Maintenance, repairs, and minor equipment purchases are charged to operations when incurred. Expenses that materially change capacities or extend useful lives are capitalized. Upon sale or retirement of land, buildings, and equipment, the cost and related accumulated depreciation, if applicable, are eliminated from the respective accounts and any resulting gain or loss is included in the results of operations.

COMPENSATED ABSENCES

Sick Leave

Full time Library employees are granted sick leave at the rate of one day per month. Sick leave can be accumulated up to a maximum of 120 days with 50% paid upon resignation or retirement after 5 consecutive years of employment.

WEST IRON DISTRICT LIBRARY

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

COMPENSATED ABSENCES (Continued)

Sick Leave (Continued)

At June 30, 2006, the Library's liability for accrued sick leave, plus the related costs of FICA and Medicare, was \$ 7,930.

Vacation

Full time Library employees may earn paid vacation after 6 full months of employment. The employees earn paid vacation as follows:

- 1) After 1 year of employment, the employees earn 5 days of paid vacation.

WEST IRON DISTRICT LIBRARY

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

COMPENSATED ABSENCES (Continued)

Vacation (Continued)

- 2) After 2 years, the employees earn 10 days of paid vacation.
- 3) Thereafter, the employees earn 1 day per year up to a maximum of 20 days.

Vacation time may not carry over to the following year, nor may pay be granted in lieu of vacation time not taken.

Personal Leave

Full time Library employees are granted two days of personal leave per year with pay. Personal leave does not accumulate from year to year.

WEST IRON DISTRICT LIBRARY

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

POST EMPLOYEE BENEFITS

The **West Iron District Library** provides no post-employment benefits.

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE B – INTER-FUND ACTIVITIES

INTER-FUND RECEIVABLES AND PAYABLES

Inter-fund receivables and payables do not represent inter-fund borrowings; instead, they represent actual amounts which are pending between funds at year-end due to the timing of cash flows.

WEST IRON DISTRICT LIBRARY

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

INTER-FUND RECEIVABLES AND PAYABLES (Continued)

Generally, these amounts clear shortly after year-end when resources become available.

For the fiscal year ended June 30, 2006, there were no inter-fund payables/receivables.

OPERATING TRANSFERS

Inter-fund transfers are the result of legally authorized transfers from a fund receiving revenue to the fund through which the resources are to be expended.

During the fiscal year ended June 30, 2006, the Library authorized the following transfers:

WEST IRON DISTRICT LIBRARY

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2006

NOTE B - INTERFUND ACTIVITIES (CONTINUED)

OPERATING TRANSFERS (Continued)

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	\$ 0	\$ 5438
Debt Service	5438	0

The General Fund transfers to the Debt Service Fund sufficient monies to pay the principal and interest on long-term debt.

OTHER FINANCING SOURCES (USES)

The transfers of cash between the various Library funds are budgeted but reported separately from revenues and expenditures as operating transfers in or (out), unless they represent temporary advances that are to be repaid, in which case, they are carried as assets and liabilities of the advancing or borrowing funds.

WEST IRON DISTRICT LIBRARY

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2006

NOTE C - CASH, DEPOSITS, AND INVESTMENTS

PRIMARY GOVERNMENT

On June 30, 2006, the carrying value of the Library's deposits (Primary Government) was \$ 195,729 and is comprised of cash and deposits reflected in the following funds:

<u>Governmental Funds</u>	
General Fund	\$ 155992
Capital Projects Fund	37310
Perpetuity Fund	<u>2427</u>
Total	\$ 195729

CASH AND DEPOSITS

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the local unit's cash deposits classifies cash according to three levels of risk.

These three levels of risk are as follows:

WEST IRON DISTRICT LIBRARY

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2006

NOTE C - CASH, DEPOSITS, AND INVESTMENTS (CONTINUED)

CASH AND DEPOSITS (Continued)

Category 1 Deposits which are insured or collateralized with securities held by the Library or by its agent in the Library's name.

Category 2 Deposits which are collateralized with securities held by the pledging financial institution's trust department or agent in the Library's name.

Category 3 Deposits which are not collateralized or insured.

Based on these levels of risk, the Library's cash deposits (Primary Government) are classified as follows:

WEST IRON DISTRICT LIBRARY

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2006

NOTE C - CASH, DEPOSITS, AND INVESTMENTS (CONTINUED)

SCHEDULE OF CASH AND DEPOSITS

PRIMARY GOVERNMENT

	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Totals</u>
Cash and Deposits	\$ 102655	\$ -0-	\$ 93074	\$ 195729

INVESTMENTS

The Library's investments are categorized below to give an indication of the level of risk assumed at year-end. **Category 1** includes investments that are insured or registered or for which the securities are held by the Library or its agent in the Library's name.

WEST IRON DISTRICT LIBRARY

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2006

NOTE C - CASH, DEPOSITS, AND INVESTMENTS - (CONTINUED)

INVESTMENTS (Continued)

Category 2 includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's safekeeping department or agent in the Library's name. **Category 3** includes uninsured and registered investments for which the securities are held by the broker or dealer, or by its safekeeping department or agent, but not in the Library's name.

<u>Investment Type</u>	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Carrying Value</u>	<u>Market Value</u>
Edward Jones	<u>-0-</u>	<u>280191</u>	<u>-0-</u>	<u>280191</u>	<u>280191</u>
Total Investments	\$ <u>-0-</u>	\$ <u>280191</u>	\$ <u>-0-</u>	\$ <u>280191</u>	\$ <u>280191</u>

WEST IRON DISTRICT LIBRARY

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2006

NOTE C - CASH, DEPOSITS, AND INVESTMENTS (CONTINUED)

STATUTORY AUTHORITY

Act 196, PA 1997, authorizes the Library to deposit and invest in:

1. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
2. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution eligible to be a depository of funds belonging to the State of Michigan under a law or rule of this state or the United States.

WEST IRON DISTRICT LIBRARY

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2006

NOTE C - CASH, DEPOSITS, AND INVESTMENTS (CONTINUED)

STATUTORY AUTHORITY (Continued)

3. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
4. Repurchase agreements consisting of instruments issued by the United States or an agency or instrumentality of the United States.
5. Bankers acceptances of United States banks.

WEST IRON DISTRICT LIBRARY

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2006

NOTE C - CASH, DEPOSITS, AND INVESTMENTS (CONTINUED)

STATUTORY AUTHORITY (Continued)

6. Obligations of the State of Michigan or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.

7. Mutual funds registered under the Investment Act of 1950 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.

The Library has adopted an investment policy, allowing for all types of deposits and investments listed above. The Library's deposits and investments are in compliance with it's investment policy.

WEST IRON DISTRICT LIBRARY

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2006

NOTE D - DEFERRED COMPENSATION PLAN

Description of plan

The **West Iron District Library** adopted the retirement plan for the Library effective July 01, 2000. The plan shall be maintained for the exclusive benefit of covered employees and is intended to comply with the eligible deferred compensation plan requirements under Section 457 of the Internal Revenue Code of 1986.

The purpose of this plan is to enable employees who become covered under the plan to enhance their retirement security by permitting them to enter into agreements with the employer to defer a portion of their compensation and receive benefits at retirement, death, or in the event of financial hardship due to unforeseeable emergencies. Participation in this plan shall not be construed to establish or create an employment contract between the employee and the employer.

WEST IRON DISTRICT LIBRARY

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2006

NOTE D - DEFERRED COMPENSATION PLAN (CONTINUED)

Description of Plan (Continued)

Each employee who is considered a full time employee by the employer shall be eligible to enter the plan as a participant after completing a 3 month probationary period.

The employee's entry date into the plan shall be the same date the eligibility requirement is met. Each employee who becomes a participant must agree to defer a minimum of \$20.00 per month. The employer's annual contribution will be an amount equal to 7% of each participant's compensation.

NOTE E - EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS

BUDGET VIOLATIONS

P.A. 621 of 1978, SECTION 18 (1), as amended, provides a local unit shall not incur expenditures in excess of the amounts appropriated.

WEST IRON DISTRICT LIBRARY

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2006

**NOTE E - EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS
(CONTINUED)**

BUDGET VIOLATIONS (CONTINUED)

The **West Iron District Library**'s actual expenditures and budgeted expenditures for the funds budgeted have been shown on an activity basis. The approved budgets of the **West Iron District Library** were adopted at the activity level.

The budget is prepared on the modified accrual basis of accounting, which is the same basis as the financial statements.

The Library incurred no expenditures in excess of the amounts appropriated.

NOTE F - ACCUMULATED FUND DEFICITS

At June 30, 2006, the Library had no fund balance deficit in any fund.

WEST IRON DISTRICT LIBRARY

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2006

NOTE G - RISK MANAGEMENT

The Library is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The Library maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Library. Settled claims have not exceeded this commercial coverage in the past three fiscal years.

NOTE H - CAPITAL ASSETS

The following is a summary of the changes in capital assets for the fiscal year ended June 30, 2006:

WEST IRON DISTRICT LIBRARY

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2006

NOTE H - CAPITAL ASSETS (Continued)

	<u>Balance</u> <u>06/60/05</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>06/30/06</u>
<u>Capital Assets Not Being Depreciated</u>				
Land and Land Improvements	\$ 75000	\$ -0-	\$ -0-	\$ 75000
Total Capital Assets Not Being Depreciated	75000	-0-	-0-	75000
<u>Other Capital Assets</u>				
Buildings and Improvements	377741	-0-	-0-	377741
Infrastructure	-0-	-0-	-0-	-0-
Furniture and Other Equipment	153836	3312	-0-	157148
Land Improvements	<u>16650</u>	<u>-0-</u>	<u>-0-</u>	<u>16650</u>
Total Other Capital Assets	548227	3312	-0-	551539
<u>Less Accumulated Depreciation for:</u>				
Buildings and Improvements	(71979)	(8074)	-0-	(80053)
Infrastructure	-0-	-0-	-0-	-0-
Furniture and Other Equipment	(107512)	(10616)	-0-	(118128)
Land Improvements	<u>(2819)</u>	<u>(833)</u>	<u>-0-</u>	<u>(3652)</u>
Total Accumulated Depreciation	(182310)	(19523)	-0-	(201833)
Other Capital Assets, Net	<u>365917</u>	<u>(16211)</u>	<u>-0-</u>	<u>349706</u>
Total Governmental Activities	\$ 440917	\$ (16211)	\$ -0-	\$ 424706

WEST IRON DISTRICT LIBRARY

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2006

NOTE H - CAPITAL ASSETS (CONTINUED)

GOVERNMENTAL ACTIVITIES

Depreciation was charged to governmental functions as unallocated.

NOTE I - LONG-TERM DEBT

Following is a summary of changes in the Library's long-term debt:

	<u>6/30/05</u>	<u>Increases</u>	<u>Decreases</u>	<u>6/30/06</u>
Note Payable - Miners	\$	\$	\$	\$
State Bank	70156	-0-	1394	68762

WEST IRON DISTRICT LIBRARY

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2006

NOTE I - LONG-TERM DEBT (CONTINUED)

NOTE PAYABLE - MINERS STATE BANK # 22022

On March 08, 2002, the Library purchased the former Header Inn property, located at 124 West Genesee Street, Iron River, Michigan for the purpose of future expansion of the Library. The purchase price of \$ 75,000 was financed with a loan from the Miners State Bank. The original loan was renewed on March 08, 2005, with an interest rate of 5.5%. There will be monthly payments of \$ 417.05 beginning April 08, 2005, and a balloon payment of \$ 67,041.42 due on March 08, 2008.

NOTE J - RELATED PARTY TRANSACTIONS

Related parties exist when there is a relationship that offers the potential for transactions at less than arm's length, favorable treatment, or the ability to influence the outcome of events differently from that which might result in the absence of that relationship.

WEST IRON DISTRICT LIBRARY

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2006

NOTE J - RELATED PARTY TRANSACTIONS (CONTINUED)

Financial statements must include disclosure of material related party transactions, other than compensation arrangements, expense allowances and similar items in the ordinary course of business. However, disclosure of transactions that are eliminated in the preparation of combined financial statements is not required in those statements.

On this basis, there were no related party transactions reported in the financial statements.

NOTE K - SUBSEQUENT EVENTS

Subsequent events have a material effect on the financial statements which requires adjustment or disclosure.

WEST IRON DISTRICT LIBRARY

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2006

NOTE K - SUBSEQUENT EVENTS (CONTINUED)

They relate to events that provide additional evidence with respect to conditions that existed at the date of the balance sheet and events that provide evidence with respect to conditions that did not exist at the date of the balance sheet but arose subsequent to that date.

At fiscal year ended June 30, 2006, there were no subsequent events that would have a significant affect on the Library's operations.

NOTE L - COMMITMENTS AND CONTINGENCIES

The Library participates in state and federal grant programs which are governed by various rules and regulations of the grantor agencies.

WEST IRON DISTRICT LIBRARY

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2006

NOTE L - COMMITMENTS AND CONTINGENCIES (CONTINUED)

Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the Library has not complied with the rules and regulations governing the grants, refunds of money received may be required and the collectibility of any related receivable at June 30, 2006 may be impaired.

In the opinion of the Library, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

REQUIRED SUPPLEMENTAL INFORMATION

WEST IRON DISTRICT LIBRARY

REQUIRED SUPPLEMENTAL INFORMATION

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND

YEAR ENDED JUNE 30, 2006

	ORIGINAL BUDGET	FINAL AMENDED BUDGET	ACTUAL
<u>REVENUE</u>			
General Property Taxes	\$ 260,209	\$ 260,209	\$ 260,664
Other Taxes	1,500	1,500	4,380
User Fees	2,665	2,665	2,645
Penal Fines	43,500	43,500	43,513
Use of Money and Property	1,900	1,900	2,327
Donations	500	500	535
Other Revenue	8,398	8,398	7,828
Intergovernmental	6,700	6,700	6,646
TOTAL REVENUE	\$ 325,372	\$ 325,372	\$ 328,538
<u>EXPENDITURES</u>			
Salaries and Wages	109,600	109,600	107,562
Employee Benefits / Employee Taxes	51,900	51,900	47,904
Books, Videos, Periodicals	54,702	54,702	45,127
Printing and Advertising	750	750	377
Special Programs	6,500	6,500	4,670
Insurance	5,100	5,100	3,729
Supplies	6,000	6,000	7,264
Utilities and Telephone	11,400	11,400	10,801
Memberships and Dues	3,900	3,900	1,859
Travel and Education	3,000	3,000	1,695
Office Expense and Postage	32,100	32,100	23,533
Professional Fees	6,300	6,300	5,041
Repairs and Maintenance	6,900	6,900	2,289
Capital Outlay	10,620	10,620	3,312
Other	10,100	10,100	9,254
TOTAL EXPENDITURES	\$ 318,872	\$ 318,872	\$ 274,417
<u>OTHER FINANCING SOURCES (USES)</u>			
Operating Transfers In	-	-	-
Operating Transfers (Out)	(6,500)	(6,500)	(5,438)
TOTAL OTHER FINANCING SOURCES (USES)	(6,500)	(6,500)	(5,438)
NET CHANGE IN FUND BALANCE	-	-	48,683
FUND BALANCE - BEGINNING OF YEAR	117,007	117,007	117,007
FUND BALANCE - END OF YEAR	\$ 117,007	\$ 117,007	\$ 165,690

The notes to the financial statements are an integral part of this report.

OTHER SUPPLEMENTAL INFORMATION

WEST IRON DISTRICT LIBRARY

BALANCE SHEET - GENERAL FUND

JUNE 30, 2006

	<u>2006</u>	<u>2005</u>
<u>ASSETS</u>		
Cash and Deposits		
Restricted	\$ -	\$ -
Unrestricted	155,992	132,012
Taxes Receivable	<u>22,485</u>	<u>280</u>
TOTAL ASSETS	<u>\$ 178,477</u>	<u>\$ 132,292</u>
 <u>LIABILITIES AND FUND EQUITY</u>		
<u>Liabilities</u>		
Accrued Expenses	12,787	11,321
Accounts Payable	<u>-</u>	<u>3,964</u>
Total Liabilities	12,787	15,285
 <u>Fund Equity</u>		
Unreserved	<u>165,690</u>	<u>117,007</u>
Total Fund Equity	<u>165,690</u>	<u>117,007</u>
 TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 178,477</u>	<u>\$ 132,292</u>

The notes to the financial statements are an integral part of this report.

WEST IRON DISTRICT LIBRARY

**GENERAL FUND - STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE - ACTUAL AND BUDGET**

FISCAL YEAR ENDED JUNE 30, 2006

(With Comparative Totals for Fiscal Year Ended June 30, 2005)

	FISCAL YEAR ENDED JUNE 30, 2006			FISCAL YEAR ENDED 6/30/05
	ACTUAL	BUDGET	VARIANCE FAVORABLE (UNFAVORABLE)	
<u>REVENUES</u>				
Local Sources				
Property Taxes	\$260,664	\$260,209	\$ 455	\$201,847
Other Taxes	4,380	1,500	2,880	1,989
User Fees	2,645	2,665	(20)	2,459
Penal Fines	43,513	43,500	13	41,604
Interest and Dividends	2,327	1,900	427	1,928
Gifts, Memorials, and Assessments	535	500	35	1,835
Fines and Miscellaneous	3,730	4,300	(570)	3,618
Grants	4,098	4,098	-	2,575
Total Local Sources	321,892	318,672	3,220	257,855
State Sources				
State Aid	6,646	6,700	(54)	5,735
Total State Sources	6,646	6,700	(54)	5,735
TOTAL REVENUE	\$328,538	\$325,372	\$ 3,166	\$263,590
<u>EXPENDITURES</u>				
COMMUNITY SERVICES				
Salaries and Wages	107,562	109,600	2,038	97,550
Payroll Taxes	8,295	9,000	705	8,948
Employee Benefits	39,609	42,900	3,291	39,998
Books, Cassettes, and Periodicals	45,127	54,702	9,575	53,130
Special Programs	4,670	6,500	1,830	11,095
Printing / Advertising	377	750	373	471
Insurance	3,729	5,100	1,371	3,584
Supplies	7,264	6,000	(1,264)	11,780
Utilities and Telephone	10,801	11,400	599	9,828
Membership and Dues	1,859	3,900	2,041	1,184
Travel and Education	1,695	3,000	1,305	524
Office Expense & Postage	23,533	32,100	8,567	19,460
Professional Fees	5,041	6,300	1,259	6,055
Repairs and Maintenance	2,289	6,900	4,611	502
Cleaning / Snow Removal	9,169	10,000	831	8,805
Other	85	100	15	1,456
Total Community Services	\$271,105	\$308,252	\$ 37,147	\$274,370

The notes to the financial statements are an integral part of this report.

WEST IRON DISTRICT LIBRARY

**GENERAL FUND - STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE – ACTUAL AND BUDGET
(CONTINUED)**

FISCAL YEAR ENDED JUNE 30, 2006

(With Comparative Totals for Fiscal Year Ended June 30, 2005)

	<u>FISCAL YEAR ENDED JUNE 30, 2006</u>			<u>FISCAL YEAR ENDED 6/30/05</u>
	<u>ACTUAL</u>	<u>BUDGET</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>	
Capital Outlay	<u>\$ 3,312</u>	<u>\$ 10,620</u>	<u>\$ 7,308</u>	<u>\$ 6,544</u>
TOTAL EXPENDITURES	\$274,417	\$318,872	\$ 44,455	\$280,914
Excess of Revenues Over (Under) Expenditures	54,121	6,500	47,621	(17,324)
<u>OTHER FINANCING SOURCES (USES)</u>				
Operating Transfers In (Out)	<u>(5,438)</u>	<u>(6,500)</u>	<u>1,062</u>	<u>8,154</u>
Total Other Financing Sources (Uses)	(5,438)	(6,500)	1,062	8,154
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	48,683	-	48,683	(9,170)
FUND BALANCE, JULY 1	<u>117,007</u>			<u>112,756</u>
FUND BALANCE, JUNE 30	<u>\$165,690</u>			<u>\$103,586</u>

The notes to the financial statements are an integral part of this report.

WEST IRON DISTRICT LIBRARY

CAPITAL PROJECTS FUND - BALANCE SHEET

JUNE 30, 2006

	<u>2006</u>	<u>2005</u>
<u>ASSETS</u>		
Cash and Deposits		
Restricted	\$ -	\$ -
Unrestricted	37,310	51,133
Investments	280,191	226,773
Due from Other Funds		11,778
	<u> </u>	<u> </u>
TOTAL ASSETS	<u>\$ 317,501</u>	<u>\$ 289,684</u>
 <u>LIABILITIES AND FUND EQUITY</u>		
<u>Liabilities</u>		
Accounts Payable	<u>-</u>	<u>-</u>
Total Liabilities	-	-
 <u>Fund Equity</u>		
Unreserved	<u>317,501</u>	<u>289,684</u>
Total Fund Equity	<u>317,501</u>	<u>289,684</u>
 TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 317,501</u>	<u>\$ 289,684</u>

The notes to the financial statements are an integral part of this report.

WEST IRON DISTRICT LIBRARY

CAPITAL PROJECTS FUND - STATEMENT OF REVENUES AND EXPENDITURES

JUNE 30, 2006

(With Comparative Totals for Fiscal Year Ended June 30, 2005)

	<u>2006</u>	<u>2005</u>
<u>REVENUE</u>		
Interest and Dividends	\$ 11,687	\$ 6,409
Gifts and Memorials	21,649	43,191
Other	<u>-</u>	<u>-</u>
Total Revenue	\$ 33,336	\$ 49,600
<u>EXPENDITURES</u>		
Property Acquisition	-	-
Furniture and Fixtures	-	-
Other Costs	<u>2,445</u>	<u>32,162</u>
Total Expenditures	2,445	32,162
Excess of Revenue Over (Under) Expenditures	30,891	17,438
<u>OTHER FINANCING SOURCES (USES)</u>		
Operating Transfers In (Out)	-	-
Market Gains (Losses)	<u>(3,074)</u>	<u>69,513</u>
Total Other Financing Sources (Uses)	(3,074)	69,513
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	27,817	86,951
FUND BALANCE, JULY 1	<u>289,684</u>	<u>202,733</u>
FUND BALANCE, JUNE 30	<u>\$317,501</u>	<u>\$289,684</u>

The notes to the financial statements are an integral part of this report.

WEST IRON DISTRICT LIBRARY

DEBT SERVICE FUND - BALANCE SHEET

JUNE 30, 2006

	<u>2006</u>	<u>2005</u>
<u>ASSETS</u>		
Cash and Deposits		
Restricted	\$ -	\$ -
TOTAL ASSETS	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
 <u>LIABILITIES AND FUND EQUITY</u>		
<u>Liabilities</u>		
Accounts Payable	-	-
Total Liabilities	-	-
 <u>Fund Equity</u>		
Unreserved	-	-
Total Fund Equity	-	-
 TOTAL LIABILITIES AND FUND EQUITY	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

The notes to the financial statements are an integral part of this report.

WEST IRON DISTRICT LIBRARY

**DEBT SERVICE FUND - STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE**

JUNE 30, 2006

(With Comparative Totals for Fiscal Year Ended June 30, 2005)

	<u>2006</u>	<u>2005</u>
<u>REVENUE</u>		
Interest and Dividends	\$ -	\$ -
Total Revenue	-	-
<u>EXPENDITURES</u>		
Principal	1,394	1,165
Interest	4,044	3,439
Total Expenditures	5,438	4,604
Excess of Revenue Over (Under) Expenditures	(5,438)	(4,604)
<u>OTHER FINANCING SOURCES (USES)</u>		
Operating Transfers In (Out)	5,438	4,604
Total Other Financing Sources (Uses)	5,438	4,604
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	-	-
FUND BALANCE, JULY 1	-	-
FUND BALANCE, JUNE 30	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

The notes to the financial statements are an integral part of this report.

WEST IRON DISTRICT LIBRARY

**PERMANENT FUND - STATEMENT OF CHANGES IN ASSETS, LIABILITIES, AND
FUND BALANCE**

FISCAL YEAR ENDED JUNE 30, 2006

	<u>BALANCE JULY 1, 2005</u>	<u>INCREASES</u>	<u>DECREASES</u>	<u>BALANCE JUNE 30, 2006</u>
<u>ASSETS</u>				
Cash and Deposits	<u>\$ 14,177</u>	<u>\$ 28</u>	<u>\$ 11,778</u>	<u>\$ 2,427</u>
<u>LIABILITIES AND FUND EQUITY</u>				
<u>LIABILITIES</u>				
Due to Other Funds	11,778	-	11,778	-
<u>FUND EQUITY</u>				
Fund Balance, Restricted	<u>2,399</u>	<u>28</u>		<u>2,427</u>
TOTAL LIABILITIES AND FUND EQUITY	<u><u>\$ 14,177</u></u>	<u><u>\$ 28</u></u>	<u><u>\$ 11,778</u></u>	<u><u>\$ 2,427</u></u>

The notes to the financial statements are an integral part of this report.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

DS Rostagno, CPA, P.C.

*101 West Maple Street, Iron River, MI 49935
Tel (906) 265-1040 Fax (906) 265-1042*

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Trustees
West Iron District Library
Iron River, Michigan 49935

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the **West Iron District Library** as of and for the year ended June 30, 2006, which collectively comprise the **West Iron District Library's** basic financial statements, and have issued our report thereon dated December 15, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the **West Iron District Library's** internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no such matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

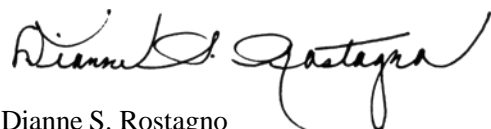
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the **West Iron District Library's** financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts.

However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

However, we noted certain matters involving the internal control structure and its operation that we have reported to the management of the **West Iron District Library**, Iron River, Michigan in a separate letter dated December 15, 2006.

This report is intended solely for the information and use of the audit committee, management, the Board, and federal awarding agencies and pass-through entities, and it is not intended to be, and should not be, used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Dianne S. Rostagno". The signature is fluid and cursive, with a large, stylized initial "D".

Dianne S. Rostagno
DS ROSTAGNO, CPA, P.C.

December 15, 2006